

Message Text

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ACTION EA-12

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ICA-11 IO-13 AID-05 COME-00 EB-08 FRB-03 TRSE-00

XMB-02 OPIC-03 LAB-04 SIL-01 OMB-01 /118 W

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R 212300Z AUG 78

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 4091

INFO AMEMBASSY WELLINGTON

AMCONSUL MELBOURNE

AMEMBASSY PORT PMORESBY

AMEMBASSY SUVA

AMCONSUL SYDNEY

AMEMBASSY JAKARTA

AMEMBASSY SINGAPORE

AMEMBASSY KUALA LUMPUR

AMEMBASSY LONDON

AMEMBASSY TOKYO

CINCPAC

C O N F I D E N T I A L SECTION 1 OF 3 CANBERRA 6596

EO 11652: GDS

TAGS: PEPR EGEN ELAB AS

SUBJECT: AUSTRALIA: THE MOOD AT THE (NON-GOVERNMENT) TOP

1. SUMMARY. EMBASSY HAS, IN THE PAST WEEK, HAD PRIVATE CONVERSATIONS WITH THREE AUSTRALIANS WHO CAN BEST BE DESCRIBED AS ABOUT THE HIGHEST RANKING MOST AUTHORITATIVE SPOKESMEN FOR THEIR RESPECTIVE VIEWPOINTS (ONE FROM LABOR, TWO FROM THE BUSINESS COMMUNITY) WITHOUT ACTUALLY BEING AT THE TOPS OF THEIR RESPECTIVE POLITICAL GROUPS. ONE OF THEM MAY ONE DAY BE PRIME MINISTER; ONE OF THE OTHERS ALMOST CERTAINLY COULD HAVE BEEN HAD HE CHOSEN POLITICS INSTEAD OF BUSINESS AS HIS CAREER. THE SECOND BUSINESSMAN
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KNOWS AMERICA LIKE THE BACK OF HIS HAND, AND IS AN ACKNOWLEDGED MEMBER OF AUSTRALIA'S CORPORATE ELITE. THE VIEWS OF THESE THREE MEN CARRY SUFFICIENT WEIGHT THAT WE BELIEVE THEY ARE WORTH CAREFULLY CONSIDERING, AS WE TRY TO APPRAISE THE FUTURE OF US-AUSTRALIAN RELATIONSHIP. END SUMMARY.

2. LABOR: ON THE LABOR SIDE, WE FOUND BOTH INTELLECTUAL CANDOR WITH RESPECT TO ANALYSING AUSTRALIA'S CURRENT POSITION (ECONOMICALLY AS WELL AS POLITICALLY), AND A VERY STRONG RESIDUE OF GOOD FEELING FOR THE US. HE MADE A POINT OF REGRETTING THE US DEPARTURE FROM THE ILO, BUT HOPED THAT WE MIGHT TAKE CERTAIN RECENT DEVELOPMENTS IN THAT ORGANIZATION AS A SIGN THAT OUR ABSENCE HAS BEEN MISSED AND AN INDICATION THAT THE ILO HAS TAKEN OUR CRITICISMS TO HEART AND TRIED TO MAKE SOME CORRECTIONS. THERE WAS SPECIFICALLY NO HINT OF CRITICISM FROM HIM FOR US FOREIGN POLICY IN ANY OF ITS RAMIFICATIONS, AND NO SIGN OF DISAFFECTION FOR THE US PRESENCE (EITHER ECONOMIC OR STRATEGIC) IN AUSTRALIA. TO THE CONTRARY, THERE WAS AN EVIDENT APPRECIATION FOR US INVESTMENT AS A MEANS OF PROVIDING FOR ECONOMIC DEVELOPMENT OF AUSTRALIA, AND WARM WORDS FOR THE GENERALLY HIGH LEVEL OF COMPETENCE AND EMPATHY OF US BUSINESS MANAGEMENT IN THE AUSTRALIAN MILIEU. THERE WAS, SPECIFICALLY, NO CRITICISM OF US EXTRACTIVE COMPANIES (COAL, IRON, URANIUM, OTHER MINERALS), AND AN AT LEAST TACIT ACKNOWLEDGEMENT THAT MORE OF THESE NEED TO BE ATTRACTED TO AUSTRALIA. WITH RESPECT TO "LABOR PEACE" AS AN ISSUE, THE PERSON WE SPOKE WITH (FOR OVER FOUR HOURS IN A PRIVATE DINNER AT THE AMBASSADOR'S RESIDENCE, WITH ONLY FIVE PEOPLE IN ATTENDANCE) THOUGHT THAT LABOR UNREST WAS NOT CURRENTLY A SIGNIFICANT PROBLEM, CERTAINLY NOT INsofar AS FOREIGN INVESTMENT WAS CONFIDENTIAL

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CONCERNED. YES, HE THOUGHT AUSTRALIAN UNIONS/WORKERS WOULD HONOR CONTRACTS ENTERED INTO IN GOOD FAITH BY BOTH WORKERS AND MANAGEMENT, AND HE LAID MOST OF THE BLAME FOR INDUSTRIAL UNREST AT THE FEET OF "ARROGANT AND OFTEN INCOMPETENT" AUSTRALIAN MANAGEMENT, AND STATED THAT THOSE AUSTRALIAN COMPANIES WITH GOOD MANAGEMENT HAD EXCELLENT LABOR RELATIONS -- EVEN WHEN THEY WERE DEALING WITH SOME OF THE MOST DIFFICULT AND ANTAGONISTIC UNIONS. ASKED POINT BLANK ABOUT AUSTRALIAN CAPITAL FLIGHT TO OVERSEAS MARKETS AS A SIGN OF LOSS OF AUSTRALIAN FAITH IN THEIR OWN COUNTRY, HE ASSERTED THAT EVEN SOME OF THOSE BEST-KNOWN AUSTRALIAN ENTREPRENEURS WHO HAVE HOLDINGS OUTSIDE AUSTRALIA HAVE AT THE SAME TIME CONTINUED TO POUR INVESTMENT CAPITAL INTO PROJECTS INSIDE THIS COUNTRY. WITH RESPECT TO LABOR'S POLITICAL FUTURE, HE WAS CONFIDENT THAT THE ALP WAS TODAY A MORE MODERATE, BETTER BALANCED TEAM THAN THE LABOR GOVERNMENT UNDER WHITLAM; HE LAID MOST OF THE ALP GOVERNMENT'S PROBLEMS DURING 1972-75 SQUARELY AT GOUGH WHITLAM'S FEET -- BY NAME -- AND SAID HE DID NOT BELIEVE THAT THAT SORT OF DISHEVELMENT WOULD RECUR. HE ACKNOWLEDGED THAT HAYDEN WAS NOT A STRONG LEADER, AND SAID THAT WHILE HAYDEN'S PERFORMANCE IS IMPROVING, THE ALP HAD TO AT

LEAST CONVINCE ITSELF THAT IT HAD A CHANCE TO REGAIN
POWER AT THE NEXT ELECTIONS (IN 1980/81). HE PERSONALLY
WAS A BIT SKEPTICAL THAT THOSE CHANCES WERE VERY GREAT.
(HIS VIEWS IN THIS RESPECT MAY HAVE BEEN PARTIALLY
CONDITIONED BY SELF-INTEREST.) AUSTRALIA'S PRINCIPAL
PROBLEM, HE BELIEVED, WAS GETTING ITS ECONOMY INTO SHAPE,
AND THIS WAS A MATTER THAT WOULD NOT BE SOLVED IN A
SINGLE YEAR. IT WOULD REQUIRE A SUSTAINED DIALOGUE
BETWEEN BOTH LABOR AND MANAGEMENT/GOVERNMENT, AND WOULD
REQUIRE SOME TOUGH DECISIONS ABOUT ELIMINATING OBSOLETE
INDUSTRIES, ENCOURAGING GROWTH FIELDS, AND RESTRUCTURING
AN ARCHAIC MANUFACTURING SECTOR. HE WAS QUITE CRITICAL OF
THE DEFECTS OF THE WESTMINSTER PARLIAMENTARY SYSTEM, BUT
DID NOT ENUNCIATE ANY CONVICTION THAT AUSTRALIA WOULD ALTER
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ITS PRESENT FORM OF GOVERNMENT.

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R 212300Z AUG 78
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TO SECSTATE WASHDC 4092
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AMCONSUL MELBOURNE
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AMCONSUL SYDNEY
/AMEMBASSY JAKARTA 1495
AMEMBASSY KUALA LUMPUR
AMEMBASSY LONDON
AMEMBASSY TOKYO
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C O N F I D E N T I A L SECTION 2 OF 3 CANBERRA 6596

3. LIBERALS/GOVERNMENT/BUSINESS: ON THE LIBERAL PARTY/
BUSINESS SIDE OF THE SPECTRUM, WE SPOKE WITH TWO OF
AUSTRALIA'S MOST HIGHLY RESPECTED SENIOR BUSINESSMEN, ONE
OF WHOM AT ONE TIME HEADED AUSTRALIA'S BIGGEST COMPANY;
AS SUCH, HE WAS A CONFIDANT OF PRIME MINISTERS, AND
ALTHOUGH HE IS NOW RETIRED, HE REMAINS ACTIVE IN
CORPORATE AFFAIRS AND AS A CONSULTANT TO MANY WIDELY
RESPECTED FIRMS, INCLUDING AMONG THEM ONE OF THE
LARGEST AND MOST HIGHLY REGARDED AMERICAN INVESTMENT
HOUSES. THE OTHER IS YOUNGER, HAS RISEN RAPIDLY TO THE
TOP OF ONE OF AUSTRALIA'S LARGEST MINING COMPANIES, IS
A DIRECTOR OF AUSTRALIA'S LARGEST INDEPENDENT NEWSPAPER
AND CAN FAIRLY CLAIM TO BE REPRESENTATIVE OF GENERAL
BUSINESS VIEWS. THEY RATHER SURPRISED US WITH THEIR OWN
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DISPLAY OF CONFIDENCE IN THE FUTURE OF AUSTRALIA; THEY
DID NOT SEEM PARTICULARLY DISMAYED BY THE FREQUENT AND A
ANNOYING LABOR UNREST, ALTHOUGH THEY DIDN'T THINK IT
SPOKE VERY HIGHLY FOR THE AUSTRALIAN PROCESS OF DISPUTE
SETTLEMENT. THEY WERE PREPARED TO MATCH AUSTRALIAN
WORKERS "WHEN THEY ARE WORKING" WITH ANY IN THE WORLD,
AND BY IMPLICATION, THOUGHT THE BEST AUSTRALIAN MANAGE-
MENT WAS AT LEAST THE EQUAL OF ANY IN THE WORLD. THEY
TOO BELIEVED THAT IT WAS POSSIBLE FOR LABOR CONTRACTS TO
BE NEGOTIATED WHICH WOULD BE HONORED BY UNIONS, AND THE
FORMER OF THEM SPECIFICALLY SAID THAT EXCEPT IN RARE AND
RATHER SPECIAL CIRCUMSTANCES, HE DID NOT BELIEVE UNIONS
WOULD TRY TO CRIPPLE EITHER THE ECONOMY GENERALLY OR A
PARTICULAR SECTOR INDIVIDUALLY SIMPLY FOR IDEOLOGICAL
REASONS. HE THOUGH AUSTRALIAN LABOR HAD MATURED
CONSIDERABLY IN RECENT YEARS, AND BELIEVED WORKERS WERE
NOW MORE INTERESTED IN "BREAD-AND-BUTTER" ISSUES THAN
IN IDEOLOGICAL STRUGGLES OVER SOCIALISM OR IMPERIALISM.
QUESTIONED ABOUT URANIUM, HE WAS SATISFIED THAT LABOR
WOULD COOPERATE WITH ITS DEVELOPMENT, MINUS A FEW DIE-
HARD LEFT-WING IDEOLOGUES. BUT BOTH OF THEM BELIEVED
THE INVESTMENT CLIMATE IN AUSTRALIA WAS QUITE FAVORABLE
AND COULD SEE NO REAL REASON WHY FOREIGN (AND SPECIFI-
CALLY AMERICAN) INVESTMENT SHOULD NOT REGARD AUSTRALIA
AS A VERY ATTRACTIVE OPPORTUNITY. WE ASKED WHETHER THEY
VIEWED A CURRENT "EXPROPRIATION" CLAIM (DILLINGHAM) AS
AN UNFAIR AND UNJUSTIFIED ATTACK ON FOREIGN INVESTMENT
AND MULTINATIONAL CORPORATIONS -- PARTICULARLY THOSE IN
THE EXTRACTIVE SECTOR. SOMEWHAT TO OUR SURPRISE THEY
SAID NOT ONLY DID THEY NOT SEE IT THAT WAY, BUT THEY KNEW
NO OTHER BUSINESSMEN WHO SAW IT THAT WAY EITHER.

ELABORATING, BOTH THOUGH DILLINGHAM HAD MADE A NUMBER
OF SERIOUS MISTAKES IN THEIR HANDLING OF THE AFFAIR, AND
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BOTH ASSERTED RATHER STRONGLY THAT THIS VIEW WAS SHARED
BY OTHER TOP CORPORATE EXECUTIVES AND BY FOREIGN INVESTORS
AS WELL. WE ASKED WHETHER THEY THOUGHT THE SHARP GOVERN-
MENT ATTACKS AGAINST THE UTAH MINING COMPANY'S RECENT
STRIKE SETTLEMENT WERE JUSTIFIED. THEY BOTH AGREED THAT
UTAH WAS WITHIN ITS RIGHTS IN HAVING REACHED THE
SETTLEMENT IT DID BUT BOTH AGREED THAT UTAH HAD A SERIOUS
PUBLIC RELATIONS PROBLEM, AND THEY BOTH QUESTIONED
WHETHER IT WAS WISE FOR ANY LARGE MULTINATIONAL EXTRAC-
TIVE COMPANY TO REPATRIATE 100 PERCENT OF ITS PROFITS IN
ANY GIVEN YEAR -- THAT IT MIGHT HAVE BEEN MORE POLITIC
FOR UTAH TO EITHER SPACE THEM OUT OR TO LEAVE SOME BEHIND
TO REINVEST IN AUSTRALIA. IN THE WORDS OF THIS SENIOR
BUSINESS LEADER, "AS AN AUSTRALIAN, I CAN TELL YOU SOME
OF THAT MONEY -- AND IT WAS \$158 MILLION LAST YEAR, WHICH
MAY NOT BE MUCH BY AMERICAN STANDARDS, BUT IS BY AUSTRALIAN
STANDARDS -- COULD HAVE BEEN VERY USEFULLY SPENT IN THIS
COUNTRY." HE DID NOT BELIEVE THERE WOULD BE ANY LASTING
ACRIMONY, BUT THOUGHT IT HAD BEEN POORLY HANDLED BY BOTH
UTAH AND THE GOA. (EMBASSY NOTE: WE DOUBT THAT UTAH
REPATRIATED 100 PERCENT OF ITS PROFITS, BUT THE FACT THAT
THIS IS WIDELY BELIEVED IN AUSTRALIA IS IMPORTANT.)
FINALLY, BOTH SAW SOME WEAKNESSES IN THE CURRENT AUSTRALIAN
GOVERNMENT, BUT NO REAL CHALLENGE TO PRIME MINISTER FRASER'S
AUTHORITY -- YET. ON THE OTHER HAND, BOTH SPOKE OF THE
"INEVITABILITY" OF ANOTHER LABOR GOVERNMENT, BUT AGREED
THAT A FUTURE ALP GOVERNMENT WOULD NOT MAKE THE SAME SORTS
OF MISTAKES THE LAST ONE DID. THIS THEY LAID IN PART TO
THE PERSONALITIES INVOLVED (SURPRISINGLY, BOTH AGREED
WITH THE PREVIOUS COMMENTATOR'S VIEW THAT WHITLAM WAS
PERSONALLY TO BLAME FOR MUCH OF THIS) AND PART TO THE
FACT THAT THE NEW ALP SHADOW CABINET UNDER HAYDEN INCLUDES

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C O N F I D E N T I A L SECTION 3 OF 3 CANBERRA 6596

A NUMBER OF FRESH YOUNG NON-IDEOLOGICAL FACES WHO COULD
BE EXPECTED TO BEHAVE A GREAT DEAL MORE RESPONSIBLY
THAN SOME OF THE PERSONALITIES IN THE LAST LABOR GOVERN-
MENT. IN SHORT, THEIR ATTITUDES WERE OF QUIET CONFIDENCE
ABOUT THE FUTURE STABILITY OF AUSTRALIA AS A WHOLE, IN-
CLUDING BOTH AUSTRALIAN POLITICAL STABILITY AND THE ATTRAC-
TIVENESS OF THIS COUNTRY AS A PLACE FOR FOREIGN INVESTMENT.

4. IN SUM, WE WERE STRUCK BY THE COMMON DENOMINATOR OF
OPTIMISM AND CONFIDENCE OF THESE THREE SPOKESMEN FOR
THEIR RESPECTIVE CLASSES, PROFESSIONS, AND POLITICAL
VIEWS. THEY BELIEVED THE TIES BETWEEN AUSTRALIA AND THE
UNITED STATES WERE STRONG AND FIRM, AND GROWING MORE SO.
THEY SEEMED TO BELIEVE THAT POLITICALLY-MOTIVATED ATTACKS
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ON THE US PRESENCE STEMMING FROM THE VIETNAM WAR WERE
BEHIND US AND RECEDING. SIGNIFICANTLY, NONE OF THEM EVEN
MENTIONED THE OCCASIONAL PRESS STORIES ABOUT AMERICAN
FACILITIES, ALTHOUGH, INTERESTINGLY, ONE OF THEM (THE ONLY
ONE WE ASKED) EVINced CONTINUING CONCERN ABOUT THE US
COMMITMENT IN THE EAST ASIA/PACIFIC REGION DESPITE REPEATED
US REASSURANCES. NONETHELESS, ALL THREE SPOKE WITH EVIDENT
CONFIDENCE ABOUT THE DEVELOPMENT OF THE REGION IN WHICH
THEY LIVE AND THE PLACE OF AUSTRALIA IN IT. WE BELIEVE THE
STRENGTH OF THEIR CONFIDENCE IN THE FUTURE THEY SEE -- AND
THEIR LACK OF CONCERN ABOUT TRANSITORY PRESS SQUALLS FROM
MINOR ELEMENTS ABOUT RELATIVELY INCONSEQUENTIAL ISSUES --
IS REASSURING, AND THAT WE, IN TURN, SHOULD BE REASSURED.

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